Supreme Court, U.S.
FILED
MAR 25 1993
OFFICE OF THE CLERK

No. 92-1400

In The

Supreme Court of the United States

October Term, 1992

THE QUAKER OATS COMPANY,

Petitioner,

v.

SANDS, TAYLOR AND WOOD COMPANY,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

RESPONDENT'S BRIEF IN OPPOSITION

JAMES A. KLENK,
Counsel of Record
SAMUEL FIFER
CAROL ANNE BEEN
SALLY L. DAVIS
SONNENSCHEIN NATH & ROSENTHAL
8000 Sears Tower
Chicago, IL 60606-6404
(312) 876-8062

Attorneys for Respondent, Sands, Taylor & Wood Company

Of Counsel:

GEOFFREY JUDD VITT
DIANE RUNYAN BECH
BROOKS, MCNALLY, WHITTINGTON, PLATTO & VITT
23 Mechanic Street
P.O. Box 200
Norwich, VT 05055

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

PARTIES TO THE PROCEEDING

All parties to the proceeding in the Court of Appeals are identified in the caption. Pursuant to Supreme Court Rule 29.1, Respondent states there are no parent or subsidiary corporations to be listed.

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

STATEMENT OF THE CASE 2

REASONS FOR DENYING THE PETITION 5

I. THIS COURT SHOULD NOT GRANT CERTIORARI TO REVIEW UNEXCEPTIONAL FINDINGS OF FACT 5

II. THERE IS NO CONFLICT OF DECISION OR IN PRINCIPLE TO WARRANT REVIEW 8

Intent to Use 8

Bad Faith 10

Monetary Award 12

III. THE JUDGMENT BELOW IS INCOMPLETE AND NOT RIPE FOR REVIEW 14

CONCLUSION 15

TABLE OF AUTHORITIES

Page

CASES:

ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958 (D.C. Cir. 1990) 13

AmBrit, Inc. v. Kraft, Inc., 812 F.2d 1531 (11th Cir. 1986), *cert. denied*, 481 U.S. 1041 (1987) 9

Ameritech, Inc. v. American Information Technologies Corp., 811 F.2d 960 (6th Cir. 1987) 13

Baker v. Simmons Co., 325 F.2d 580 (1st Cir. 1963) 13

Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978) 10

Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354 (10th Cir. 1954) 13

Brotherhood of Locomotive Firemen and Enginemen v. Bangor & Aroostoock R.R. Co., 389 U.S. 327 (1967) 15

Burger King Corp. v. Mason, 855 F.2d 779 (11th Cir. 1988) 13

Exxon Corp. v. Humble Exploration Co., 695 F.2d 96 (5th Cir. 1983), *on remand*, 592 F. Supp. 1226 (N.D. Tex. 1984) 9

George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532 (2d Cir. 1992), *cert. denied*, 113 S. Ct. 510 (1992) 13

Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 336 U.S. 271, *reh'g granted on question of law*, 337 U.S. 910 (1949) 5

Hiland Potato Chip Co. v. Culbro Snack Foods, Inc., 720 F.2d 981 (8th Cir. 1983) 9

Maltina Corp. v. Cawy Bottling Co., 613 F.2d 582 (5th Cir. 1980) 13

TABLE OF AUTHORITIES – Continued

Page

Nalpac, Ltd. v. Corning Glass Works, 784 F.2d 752 (6th Cir. 1986) 13

Nikon Inc. v. Ikon Corp., 1993 U.S. App. LEXIS 3245 (2d Cir. Feb. 25, 1993) 6, 10

Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272 (9th Cir. 1982) 13

Roulo v. Russ Berrie & Co., 886 F.2d 931 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990) 9

Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037 (2d Cir. 1980) 9

Silverman v. CBS Inc., 870 F.2d 40 (2d Cir.), *cert. denied*, 492 U.S. 907 (1989) 9

Sterling Brewers, Inc. v. Schenley Indus., Inc., 441 F.2d 675 (C.C.P.A. 1971) 9

The Monrosa v. Carbon Black Export, Inc., 359 U.S. 180 (1959) 15

United States v. Johnston, 268 U.S. 220 (1925) 5

W.W.W. Pharmaceutical Co. v. Gillette Co., 984 F.2d 567 (2d Cir. 1993) 10

STATUTES:

15 U.S.C. § 1117(a) 12, 13

15 U.S.C. § 1127 ..... 6, 8

No. 92-1400

In The

Supreme Court of the United States

October Term, 1992

THE QUAKER OATS COMPANY,

Petitioner,

v.

SANDS, TAYLOR & WOOD COMPANY,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

RESPONDENT'S BRIEF IN OPPOSITION

Respondent Sands, Taylor & Wood Co. ("Sands") respectfully requests that this Court deny The Quaker Oats Company's Petition for Writ of Certiorari, seeking review of the Seventh Circuit's opinion in this case. That decision is reported at 978 F.2d 947 (7th Cir. 1992) and is reprinted in Petitioner's Appendix.

STATEMENT OF THE CASE

For more than 70 years, the THIRST AID trademark has been used on beverage and food products. (App. 3a.)[1] In 1921 Joseph Middleby, Jr., Inc. commenced the use with "non-alcoholic maltless beverages, sold as soft drinks and syrups therefor," obtaining the first registration of the THIRST AID mark in 1922. (*Id.* at 56a.) After Respondent Sands acquired the Middleby company and the THIRST AID mark and registrations in 1973 (*id.* at 56a), Sands marketed products under the THIRST AID mark coast to coast, with a principal concentration in New England and upstate New York. (*Id.* at 58a.) Sands currently owns the THIRST AID mark and registrations, and licenses use of the mark for wholesale ice cream and fountain syrup goods to L. Karp & Sons ("Karp"). (*Id.* at 68a.)

In 1980, Pet, Inc. selected THIRST AID for use in testing a new isotonic beverage. (*Id.* at 60a.) Before using THIRST AID, Pet conducted a trademark search, determined Sands' ownership of the THIRST AID mark, and negotiated a license from Sands. (*Id.*) At the time, as today, Quaker's Gatorade product dominated the isotonic beverage market. (*Id.*) In a head-to-head test with Gatorade, the new Pet THIRST AID product obtained a 25 percent share of the isotonic beverage sales in the test market over a four-month period. (*Id.* at 61a.) Despite its success, Pet did not pursue the THIRST AID product because the company sold the Musselman juice facility

---

[1] Citations to "App." are to the Appendix to the Petition for Certiorari.

where THIRST AID was manufactured, and the Pet license was terminated in June 1981. (*Id.*)

Thereafter, Sands and Karp (which took an assignment of the THIRST AID mark in 1981, with an exclusive license to Sands to use the mark for certain products at retail), pursued use of the THIRST AID mark in the beverage industry. Sands' President drafted letters proposing use of the mark "for a Gatorade type product" (*id.* at 62a), and in 1982 and 1983 approached a series of consultants, including Harvard Business School, for advice on expanding use of the mark at retail. (*Id.*) Starting in September 1983, a consultant for Karp approached Shasta Beverages and Tropicana Products to develop an isotonic beverage like that sold by Pet. (*Id.* at 63a.) In 1984, Tropicana concluded that "Thirst Aid as a brand name was right on strategy," but would be difficult to protect because of the Gatorade advertising campaign which prompted this suit. (*Id.* at 25a n.13.)

Petitioner The Quaker Oats Company ("Quaker") acquired Stokely Van Camp and its Gatorade product in 1983. (*Id.* at 65a.) In May 1984, Quaker commenced its first major advertising campaign for the Gatorade product: THIRST AID was superimposed over Gatorade, used on Gatorade packaging and served as the keystone of Gatorade's slogan, "Gatorade is THIRST AID for that deep down body thirst." (*Id.* at 14a, 67a, 123a.) Before launching its advertising campaign, Quaker "knew of plaintiff's trademark registrations," (*id.* at 95a), and knew of the Pet test. (*Id.* at 92a.) Unlike Pet, Quaker did not approach Sands to negotiate a license.

Sands objected to Quaker's use of the THIRST AID mark promptly after learning of the campaign. (*Id.* at 66a.) Quaker retained trademark counsel who advised, among other things, that the Gatorade name should be used in a dominant fashion in advertisements to avoid any likelihood that THIRST AID would be regarded as being used as a trademark. That "advice was not followed. Indeed, in many of defendant's advertisements, THIRST AID [was] the dominant expression." (*Id.* at 62a.) The Court found that Quaker's advertisements used the words "THIRST AID" as an "attention getting symbol." (*Id.* at 14a.) For the next six years Quaker spent more than $112 million on this Gatorade advertising campaign, cementing THIRST AID and Gatorade together in the public's mind. (*Id.* at 91a, 104a.)

Quaker now seeks a Writ of Certiorari to review the Court of Appeals' affirmance of the District Court's findings of fact that the THIRST AID mark was not "abandoned" and that Quaker's infringement was willful and in bad faith. Though the Court of Appeals reversed the District Court's award of profits and remanded for a redetermination of damages, Quaker also seeks review of the nature and scope of the yet to be determined monetary award.

REASONS FOR DENYING THE PETITION

I. THIS COURT SHOULD NOT GRANT CERTIORARI TO REVIEW UNEXCEPTIONAL FINDINGS OF FACT.

Certiorari should be denied because this Court does not second-guess findings of fact, which have not been set aside as clearly erroneous, in general commercial litigation. Abandonment and bad faith are quintessential fact questions. Having seen the witnesses and heard the testimony, the District Court made the factual findings that Sands had not abandoned the THIRST AID trademark and that Quaker's infringement was willful and in bad faith. (App. at 67a-84a, 94a-100a.)

As this Court has consistently held, "[w]e do not grant a certiorari to review evidence and discuss specific facts." *United States v. Johnston*, 268 U.S. 220, 227 (1925). This principle applies *a fortiori* here because all three judges on the Court of Appeals affirmed these findings as not clearly erroneous. (*Id.* at 15a-21a, 34a; 37a (Ripple, J., concurring), 38a (Fairchild, S.J., dissenting in part)); Fed. R. Civ. P. 52(a). *See Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 336 U.S. 271, 275 ("A court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error."), *reh'g granted on question of law*, 337 U.S. 910 (1949). Moreover, Quaker's petition for rehearing and suggestion for rehearing *en banc* did not receive a single vote from the Court of Appeals. (App. at 42a.)

The Seventh Circuit's affirmance of the District Court's conclusion that Sands' THIRST AID mark had not been abandoned is not surprising. Abandonment requires proof of two elements: 1) non-use and 2) intent not to resume use. 15 U.S.C. § 1127. The THIRST AID trademark is in use to this date, and both Sands and Karp undertook to further develop the mark in the beverage field in 1980, 1981, 1983, and 1984, including making specific proposals to Shasta and Tropicana for isotonic beverages. Moreover, even without demonstrable conduct to evince an intent to resume use in the beverage field, it is wholly logical, as both lower courts found, to conclude that the owner of the THIRST AID trademark would "bridge the gap" to expand into the isotonic beverage market given the public's interest in health and exercise in the 1980s. (App. 24a-25a.) Thus, the findings of the District Court were not clearly erroneous, and there is "no obvious and exceptional" error requiring correction by this Court.

The Seventh Circuit's affirmance of the District Court's bad faith finding is equally unremarkable. Quaker knew of both the THIRST AID trademark registrations and of the Pet test before proceeding with its THIRST AID campaign. When Sands objected to Quaker's use of THIRST AID, Quaker then hired trademark counsel, obtained counsel's advice and then ignored that legal advice not to use THIRST AID in a dominant fashion in Gatorade advertisements. (*Id.* at 67a.) Only last month, the Second Circuit held that facts such as these provided "sufficient evidence for the court's finding that [the infringer] acted in bad faith." *Nikon Inc. v. Ikon Corp.*, 1993 U.S. App. LEXIS 3245, at *13 (2d Cir. Feb. 25, 1993). All

three judges agreed that the District Court's findings of fact were not clearly erroneous.[2]

Quaker's suggestion that the marketing and advertising decisionmakers of national corporations need this Court's guidance as to how to behave is just not true. (Pet. at 12, 25.) Take Pet, Inc., for example. Pet, a national corporation and a competitor of Quaker, embarked on its THIRST AID strategy, ran a trademark search, discovered the Sands mark, approached Sands in good faith and negotiated a license. Even though Sands was then in dire financial straits, Pet respected Sands' federal trademark rights and the parties negotiated a solution for a product to compete with the market leader, Gatorade.

Quaker, in marked contrast, conducted a trademark search, learned of the THIRST AID registrations, was on notice of Sands' prompt objection, and proceeded with Gatorade's THIRST AID media blitz, using THIRST AID in many of its advertisements as a brand name in disregard of its own attorney's advice. Quaker's conduct was all the more reprehensible because Quaker – which knew of the Pet test – pursued the THIRST AID strategy to "pre-empt" the market and maintain its position of market dominance. (Pl. Exh. E-C; R. 338, Tr. 102.) Quaker's strategy had precisely this effect. Tropicana declined to go forward because of "Gatorade TV spots using Thrist [sic] Aid superimposed on the screen with the tag, 'Gatorade is Thirst Aid.'" (App. at 25a n.13.) This Court's

---

[2] Quaker cites Part V of Judge Cudahy's opinion to suggest that Quaker's bad faith was marginal. (Pet. at 9-10.) Judges Fairchild and Ripple did not join in that part of the opinion and took an even "less charitable" view of Quaker's conduct. (App. at 37a (Ripple, J., concurring), 38a (Fairchild, S.J., dissenting in part)).

guidance is not needed to tell business people and the federal courts that Pet's corporate mores, which favor respect for federal rights and negotiation, are to be preferred to Quaker's, which foster disregard of federal rights and foment litigation.

Finally, any economic injury Quaker suffers is self-inflicted. In 1985, the District Court rejected Quaker's fair use defense. (*Id.* at 112a-125a.) Yet Quaker continued to run the THIRST AID campaign. That same year, the District Court opined that "it appears highly unlikely that plaintiff will be unable to establish likelihood of confusion." (*Id.* at 124a.) Still, Quaker aired the THIRST AID advertisements. Again in 1987, the District Court refused to reconsider its decision that Quaker's use of THIRST AID was not a fair use and again Quaker continued the THIRST AID campaign. Only when enjoined in 1990 after full trial on the merits did Quaker stop using the THIRST AID campaign – more than six years after it began.

II. THERE IS NO CONFLICT OF DECISION OR IN PRINCIPLE TO WARRANT REVIEW.

Intent to Use. Certiorari should be denied because there is no conflict of decision or in principle between the Seventh Circuit's decision that the THIRST AID mark had not been abandoned and decisions of other circuits. Consistent with the plain meaning of Section 45 of the Lanham Act, the Seventh Circuit merely followed the settled law of all circuits that two years of non-use of a mark is just "prima facie evidence of abandonment," a presumption that may be rebutted. 15 U.S.C. § 1127. (App. at

18a.)[3] That the owner of the THIRST AID mark was actively marketing the mark with a business plan for an isotonic beverage to Tropicana, Shasta and others belies any claim that the mark was "warehoused" and there was no intent to use it.

All of the decisions Quaker cites to claim a conflict applied these same legal principles but not surprisingly found abandonment given the radically different facts before them. For example, in *Silverman v. CBS Inc.*, 870 F.2d 40, 47 (2d Cir.), *cert. denied*, 492 U.S. 907 (1989), CBS had not used the "Amos 'n' Andy" trademark for 21 years and had no intent to resume use unless the social climate for the program changed. Similarly, in *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1550-51 (11th Cir. 1986), *cert. denied*, 481 U.S. 1041 (1987), the mark had not been used at all between 1932 and 1980 – 48 years. And, in *Hiland Potato Chip Co. v. Culbro Snack Foods, Inc.*, 720 F.2d 981, 983-84 (8th Cir. 1983), the owner of the mark announced to its customers that the brand was discontinued and a third party relied on that announcement of abandonment to its detriment. Finally, *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 104 (5th Cir. 1983), held that intent not to abandon does not create an intent to resume use, and remanded the case for a factual hearing on whether Exxon had "inten[ded] to resume use" of the mark – on which point both the District Court and the

---

[3] *E.g., Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 939 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990); *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980); *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96 (5th Cir. 1983), *on remand*, 592 F. Supp. 1226, 1230 (N.D. Tex. 1984); *Sterling Brewers, Inc. v. Schenley Indus., Inc.*, 441 F.2d 675, 680 (C.C.P.A. 1971).

Seventh Circuit decided as a factual matter against Quaker here.

Bad Faith. Quaker's claim of conflict between the Seventh Circuit's decision on Quaker's bad faith and the Second Circuit's decision in *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567 (2d Cir. 1993), also fails. Both the Seventh Circuit here and the Second Circuit in *W.W.W. Pharmaceutical* simply concluded that the factual findings by the district courts in the cases before them were not "clearly erroneous." In view of Quaker's behavior and the facts in this case, the Second Circuit would certainly agree with the Seventh Circuit that the District Court's findings of fact were not clearly erroneous. *See Nikon Inc. v. Ikon Corp.*, 1993 U.S. App. LEXIS 3245, *13 (2d Cir. Feb. 25, 1993) (finding bad faith where, as here, there was "evidence that [defendant] rejected the advice of his counsel" and was aware of the resemblance of the marks at issue).

Quaker seems to argue that bad faith exists only when the defendant junior user intends to trade on the senior user's goodwill. (Pet. at 16-20.) If Quaker's characterization of the law were correct, a defendant could never act in bad faith in a reverse confusion case because, as the Seventh Circuit observed, "[i]n a reverse confusion case, . . . the defendant by definition is not palming off or otherwise attempting to create confusion as to the source of his product." (App. at 30a.) However, the law has been clear for some time that willfulness and bad faith can be established in a reverse confusion case. *E.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1373 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978).

Here, within weeks of the adoption of Gatorade's THIRST AID campaign, Quaker knew that the owner of the THIRST AID mark intended (and had, in fact, already attempted) to expand into the "precise field" in which Quaker wished to use the mark. (App. 24a-25a.) "Here, both the marks and the goods – Quaker's Gatorade and the isotonic beverage that STW would market but for Quaker's actions – are virtually identical." (*Id.* at 27a.) Quaker spent hundreds of millions of dollars reinforcing the association between Gatorade and THIRST AID in the public mind. (*Id.* at 104a.) Quaker ignored the advice of its attorney and used THIRST AID in a dominant fashion as a trademark in its advertisements to cement this association. (*Id.* at 67a.) Quaker's corporate planning documents show that they pursued this strategy "to strengthen our position against the potential introduction of a major competitive product." (Pl. Exh. E-C at 2; R. 338, Tr. 102.) And Quaker was extraordinarily successful in achieving this goal to Sands', and the public's, detriment. The studies in evidence showed that 79.2 percent of consumers tested associated "THIRST AID" with Gatorade. (App. 27a.) As the District Court and Seventh Circuit recognized, Quaker's willful and deliberate behavior clearly constituted bad faith.

Finally, even if there were a conflict in decision and even if this Court disagreed with both lower courts and found Quaker's conduct to be in good faith, that would not change the liability finding below. The Seventh Circuit correctly deemed Quaker's intent irrelevant to the finding of infringement. (App. 30a.) While Quaker's bad faith may ultimately affect the amount of damages awarded, we will not know whether that is the case until

after the remand ordered by the Court of Appeals. At this stage, Quaker's bad faith only bears on the question of attorney's fees, because Quaker's bad faith was the predicate for the finding that this was an "exceptional case" warranting the award of attorney's fees under Section 35 of the Lanham Act, 15 U.S.C. § 1117(a). (It is not at all clear that the Questions Presented In the Petition For Certiorari encompass this issue.) Whether fees are awarded here is certainly not a question of sufficient import to warrant this Court's present review. Lacking any other outcome-determinative issue, this Court should decline to exercise its discretionary review.

Monetary Award. Quaker's final attempt to manufacture a certiorari conflict is predicated upon a misstatement of the Court of Appeals' holding. Quaker asserts that the Seventh Circuit authorized "a purely deterrent-based monetary award," "based solely on deterrence," "solely for purposes of deterrence," or based on "deterrence alone." (Pet. at i, 11, 20, 24.) But this is not what the Seventh Circuit held.

The Seventh Circuit *reversed* the award of profits and remanded "for a redetermination of damages." (App. 35a, 37a.) The remand is to consider "the interest of STW that has been infringed," Quaker's "unjust enrichment," and "the possible need for deterrence." (*Id.* at 35a, 38a (Fairchild, J., dissenting in part), 35a n.19.) Thus, the Seventh Circuit directed the District Court to consider all three of the traditional rationales for monetary relief in trademark cases – actual harm to the plaintiff, unjust enrichment of the defendant and deterrence.

Every Circuit that has addressed the unjust enrichment/deterrence rationale has accepted it. Along with the Seventh Circuit, the Second, Fifth, Ninth, Tenth and Eleventh Circuits have expressly recognized unjust enrichment and/or deterrence as justifications for an accounting for profits. *See, e.g., George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992), *cert. denied*, 113 S. Ct. 510 (1992); *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. 1988); *Playboy Enters., Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1274 (9th Cir. 1982); *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582, 585 (5th Cir. 1980); *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354, 363 (10th Cir. 1954). The Sixth Circuit has implicitly recognized unjust enrichment. *See Nalpac, Ltd. v. Corning Glass Works*, 784 F.2d 752, 754-55 (6th Cir. 1986). The District of Columbia Circuit has expressly left open the possiblity that an accounting of profits may be based on unjust enrichment, *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (D.C. Cir. 1990), and the First Circuit has cited unjust enrichment cases with approval. *Baker v. Simmons Co.*, 325 F.2d 580, 582 (1st Cir. 1963). The other circuits appear not to have addressed the issue.

Quaker also imagines a conflict between the circuits over whether "fraud, palming off, or actual harm" must be shown before there can be an accounting for profits under Section 35 of the Lanham Act, 15 U.S.C. § 1117(a). (Pet. at 22-23.) In the first place, Section 35 does not require any such showing. Moreover, it is ludicrous for Quaker to suggest that bad faith can only exist in the context of palming off. *See Ameritech, Inc. v. American Information Technologies Corp.*, 811 F.2d 960, 964 (6th Cir. 1987) (same principle that condemns palming off condemns

reverse confusion). Furthermore, even if there is disagreement between the circuits, Quaker's intentional behavior in this case would satisfy any standard in any circuit and thereby justify a monetary award.

The Seventh Circuit did not overturn, and, in fact, confirmed, the District Court's findings that Quaker acted willfully and in bad faith when it infringed on Sands' trademark. Apart from Quaker's bad faith, there can be no dispute that Sands suffered actual harm. At the very least, Sands was denied "the royalties Quaker would have had to pay STW for the use of the THIRST AID mark had it recognized the validity of STW's claims." (App. 35a.) More broadly, Sands lost the business opportunities of pursuing an isotonic beverage with Tropicana, Shasta and others. (App. 25a n.11, 106a.) While these lost opportunities may not constitute actual harm to justify a damage award separate from profits, (*id.* at 106a), there can be no question that Gatorade's television advertising interfered with negotiations to develop an isotonic beverage with the THIRST AID mark and that Sands was actually harmed. (App. 25a.)

In sum, the Seventh Circuit's decision is fully consistent with the plain meaning of Section 35 of the Lanham Act and those decisions which suggest that actual harm or willfulness may be necessary for an award of monetary relief.

III. THE JUDGMENT BELOW IS INCOMPLETE AND NOT RIPE FOR REVIEW.

Last, certiorari should be denied insofar as Quaker seeks review of the rationale for and scope of a monetary

award because the proceedings are incomplete. As noted, the Seventh Circuit reversed the profits award and remanded "for a redetermination of damages." (App. at 35a.) That redetermination is to look at "the extent of Quaker's unjust enrichment and the interest of STW that has been infringed" and to consider whether a "reasonable royalty" is appropriate. (*Id.* at 35a & n.19.) At this point, we do not know whether the District Court will award profits or damages, how much or on what theory. If the monetary relief aspects of the case are so important as to require this Court's attention, this Court should at least have the benefit of a final determination of the nature and scope of that monetary relief. *The Monrosa v. Carbon Black Export, Inc.*, 359 U.S. 180, 184 (1959) ("Resolution . . . can await a day when the issue is posed less abstractly.").

In sum, "because the Court of Appeals remanded the case, [the case] is not yet ripe for review by this Court." *Brotherhood of Locomotive Firemen and Enginemen v. Bangor & Aroostoock R.R. Co.*, 389 U.S. 327, 328 (1967).

CONCLUSION

Quaker's plea for review in this Court sounds in confession and avoidance. Quaker's confession is that it infringed Sands' THIRST AID trademark; certiorari is not sought to review the Court of Appeals' likelihood of confusion conclusion. Quaker's avoidance is the defense that Sands forfeited its mark by abandonment and further that Quaker's corporate behavior was not really as bad as four federal judges have adjudged it to be. Quaker's

defense is fact-bound and the facts have been rationally decided against it.

Presenting no conflict of decision of law, question of national public importance, or final money judgment, the Petition for Certiorari should be denied.

Respectfully submitted,

JAMES A. KLENK,
Counsel of Record
SAMUEL FIFER
CAROL ANNE BEEN
SALLY L. DAVIS
SONNENSCHEIN NATH & ROSENTHAL
8000 Sears Tower
Chicago, IL 60606-6404
(312) 876-8062

Attorneys for Respondent, Sands, Taylor & Wood Company

Of Counsel:

GEOFFREY JUDD VITT
DIANE RUNYAN BECH
BROOKS, MCNALLY, WHITTINGTON, PLATTO & VITT
23 Mechanic Street
P.O. Box 200
Norwich, VT 05055
(802) 649-1200

March, 1993.